

Message Text

LIMITED OFFICIAL USE

PAGE 01 WARSAW 07072 271517Z

60

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-01 SIL-01 OMB-01 /077 W

----- 003526

R 271423Z NOV 74

FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 2358

AMEMBASSY BERLIN

AMEMBASSY BELGRADE

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

LIMITED OFFICIAL USE WARSAW 7072

E.O. 11652: NA

TAGS: ETRD, EFIN, PL, YO

SUBJ: POLAND AND YUGOSLAVIA END CLEARING ARRANGEMENTS

1. SUMMARY. ACCORDING TO AN OFFICIAL OF THE YUGOSLAV EMBASSY IN WARSAW, POLAND ACCEPTED DURING SEPTEMBER 1974 A LONG-STANDING YUGOSLAV PROPOSAL TO ELIMINATE CLEARING ARRANGEMENTS AND PLACE TRADE BETWEEN THE TWO COUNTRIES ON A HARD-CURRENCY SETTLEMENT BASIS. THE AGREEMENT, SIGNED DURING THE MID-NOVEMBER VISIT OF EXECUTIVE COUNCIL MEMBER IVAN FRANKO TO POLAND, ENTERS INTO FORCE JANUARY 1, 1975. OUR SOURCE SAID IT IS THE FIRST AGREEMENT OF ITS KIND BETWEEN YUGOSLAVIA AND A CEMA COUNTRY. IT DIFFERS FROM THE YUGOSLAV-HUNGARIAN TRADE PACT, WHICH WE UNDERSTAND WAS CONCLUDED ABOUT TWO YEARS AGO, IN THAT THE POLES, UNLIKE THE HUNGARIANS, DID NOT INSIST ON THE INCLUSION OF A

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 WARSAW 07072 271517Z

BALANCING MECHANISM TO PROTECT THEMSELVES AGAINST

TRADE DEFICITS. END SUMMARY

2. THE OFFICIAL WITH WHOM WE SPOKE STRESSED THAT POLAND HAD AGREED TO THE NEW ARRANGEMENT OF ITS OWN VOLITION, WITHOUT PRESSURE OF ANY KIND FROM THE YUGOSLAVS. SPEAKING CRITICALLY OF THE CLEARING AGREEMENTS THAT CHARACTERIZE INTRA-CEMA TRADE, WHICH HE DESCRIBED AS AN OUTDATED BARTER SYSTEM FOR EXCHANGING INFERIOR GOODS AT PRICES 15 PERCENT ABOVE THEIR WORLD-MARKET VALUE, HE POINTED OUT THAT 60 PERCENT OF YUGOSLAVIA'S TRADE TURNOVER IS NOW IN HARD CURRENCY: IT IS BECOMING INCREASINGLY COSTLY TO BUY IN THE WEST AND SELL FOR NON-CONVERTIBLE CURRENCIES IN THE EAST. YUGOSLAVIA HAS ALSO FOUND, HE SAID, THAT ENTERPRISES PRODUCING FOR CLEARING TRADE TEND TO TURN OUT SHODDY GOODS. GIVEN THE OPPORTUNITY TO PRODUCE FOR HARD-CURRENCY MARKETS, THESE ENTERPRISES BECOME MORE COMPETITIVE. HE BELIEVES THE POLES, WHO ARE STRONGLY INTERESTED IN WESTERN MARKETS, HOPE THIS PHENOMENON WILL REPEAT ITSELF HERE.

3. ALTHOUGH HE PROFESSED TO BE UNAWARE OF SOVIET REACTION TO THE NEW TRADE AGREEMENT (THE SOVIETS, HE REMARKED WITH OBVIOUS PLEASURE, WERE OFFERED THE SAME ARRANGEMENT), THE EMBASSY OFFICIAL ACKNOWLEDGED THE IMPORTANCE OF MAKING A SUCCESS OF THE VENTURE SO AS NOT TO STRENGTHEN THE HAND OF THE INEVITABLE CRITICS. YUGOSLAVIA HOPES TO CONCLUDE SIMILAR AGREEMENTS WITH OTHER CEMA COUNTRIES. CZECHOSLOVAKIA, ACCORDING TO THIS OFFICIAL, IS THE MOST LIKELY PARTNER FOR THE NEXT SUCH BILATERAL PACT.

4. THE POLES WERE SOMEWHAT CONCERNED ABOUT DEALING WITH THE \$28 MILLION TRADE DEFICIT THEY WERE RUNNING WITH YUGOSLAVIA AFTER 9 MONTHS OF 1974, BUT THEY ARE EVIDENTLY IMPRESSED WITH THE GROWTH IN HUNGARIAN-YUGOSLAV COMMERCE WHICH EVENTUALLY FOLLOWED THE CONCLUSION OF THEIR HARD-CURRENCY SETTLEMENT ARRANGEMENT. POLISH-YUGOSLAV TRADE WILL BE CLOSELY MONITORED BY JOINT TEAMS TO HEAD OFF PROBLEMS DEVELOPING DURING THE EARLY MONTHS OF THE NEW AGREEMENT. INTERESTINGLY, THE POLES LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 WARSAW 07072 271517Z

WERE NOT WILLING TO ALLOW THE DOMESTIC PRESS TO PUBLICIZE DETAILS OF THE NEW SYSTEM, ALTHOUGH OUR SOURCE SAID THE AGREEMENT HAS BEEN REPORTED IN THE YUGOSLAV PRESS.

5. COMMENT: THIS UNIQUE TRADE ARRANGEMENT PROVIDES ADDITIONAL EVIDENCE OF POLAND'S DETERMINATION TO TAKE A MORE ACTIVE PART IN WORLD TRADE. POLISH ENTERPRISES

MUST SUBSTANTIALLY EXPAND THEIR EXPORTS TO HARD-CURRENCY MARKETS IN ORDER TO PAY FOR THE RECENT SURGE IN TECHNOLOGY AND EQUIPMENT IMPORTS. GIVEN THE NECESSITY OF SELLING IN MANY HIGHLY COMPETITIVE AREAS, THE POLES MAY VIEW YUGOSLAVIA, ALREADY A TRADITIONAL TRADING PARTNER, AS A RELATIVELY EASIER MARKET FOR HARD-CURRENCY SALES. THE YUGOSLAV LAMENT THAT IT IS DIFFICULT TO CONTINUE PURCHASING TECHNOLOGY FROM MARKET ECONOMIES WHILE SELLING THE PRODUCTS OF THAT TECHNOLOGY IN CEMA FOR SOFT CURRENCY UNDOUBTEDLY TOUCHES A RESPONSIVE CHORD HERE. DESPITE THE STRONG WESTWARD SHIFT IN THE DIRECTION OF POLISH IMPORTS, CEMA'S SHARE OF POLISH EXPORTS HAS REMAINED RELATIVELY STABLE. IT IS DIFFICULT TO SEE HOW THIS TREND CAN LONG SURVIVE THE PRESSURES OF MOUNTING HARD-CURRENCY IMPORT BILLS.

DAVIES

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE AGREEMENTS, CURRENCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 27 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974WARSAW07072
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740345-0213
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974115/aaaaaegz.tel
Line Count: 132
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 14 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 MAY 2002 by boyleja>; APPROVED <09 JUL 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POLAND AND YUGOSLAVIA END CLEARING ARRANGEMENTS
TAGS: ETRD, EFIN, PL, YO, CEMA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005